

INTRODUCTORY STATEMENT

The "Annual Information Statement in connection with Bonds, Notes and Certificates of Indebtedness of the County of Clermont, Ohio" (the "Annual Statement"), including the Appendices hereto, has been prepared by the County of Clermont (the "County") to provide, as of its date, financial and other information relating to the County. The County intends that this Annual Statement be used in conjunction with specific information to be provided by the County which, taken together, will serve as the Official Statement for the original offering and issuance by the County of specific issues of bonds, notes or certificates of indebtedness. Following the distribution of this Annual Statement and concurrently with the original offering by the County of each particular issue of its bonds, notes or certificates of indebtedness, the County will distribute or make available the specific information relating to that offering along with material to update what is contained in this Annual Statement.

The County has not bound itself contractually to furnish current information, in the form of a statement such as this or otherwise, on a continuing or regular basis and does not covenant to do so, except for specific Continuing Disclosure Agreements entered into for specific transactions (see "Continuing Disclosure" herein). From time to time the County may elect to provide such information to parties named on a mailing list maintained by the County for such purpose. Names may be added to the mailing list by writing to Charles F. Tilbury, Jr., Chief Deputy Auditor, Clermont County, 101 East Main Street, Batavia, Ohio 45103. (See "*Continuing Disclosure*" herein.)

All financial and other information presented herein has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue in the future.

References herein to provisions of Ohio law, whether or not codified in the Ohio Revised Code (the "Revised Code"), or the Ohio Constitution, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed or supplemented.

As used in this Annual Statement, "debt service" means principal (including mandatory redemptions) of and interest on the obligations referred to, and "State" or "Ohio" means the State of Ohio.

THE COUNTY

Clermont County was named for a French city, Claremont, meaning "Clear Mountain", by Arthur St. Clair, the first governor of the Northwest Territory in 1800. It is the eighth oldest county in the State of Ohio and is the birthplace and former home of Ulysses S. Grant. Batavia became the County seat in 1824. The County lies along 26 miles of the Ohio River in Southwestern Ohio and is an average of 22 miles east of the City of Cincinnati. The

County encompasses 470 square miles. The Cincinnati Primary Metropolitan Area (hereinafter the "Metropolitan Area") includes Clermont, Warren, Butler, Hamilton and Brown counties in Ohio, Dearborn and Ohio counties in Indiana, and Kenton, Campbell, Gallatin, Grant, Pendleton and Boone counties across the Ohio River in Kentucky.

County Government

The County has only those powers specifically conferred upon it by Ohio statutes. A three-member Board of County Commissioners (the "Commissioners"), elected at large in even-numbered years for four-year overlapping terms, is the primary legislative and executive body of the County.

In addition to three Commissioners, the nine other administrative officials of the County listed below, each of whom is independent within the limits of state law affecting the particular office, are elected for terms of four years each, with the County Auditor and a County Commissioner elected at two year intervals before and after a presidential election year and the other County Commissioners and other County officers elected in each presidential election year. Common Pleas Judges, Municipal Court Judges, the Domestic Relations Judge, and the Probate Judge are elected for terms of six years each.

BOARD OF COUNTY COMMISSIONERS

| | <u>Assumed Office</u> | <u>Present Term Expires</u> |
|---------------------------------|-----------------------|-----------------------------|
| Mary C. Walker, President | 01/01 | 01/01/05 |
| Robert L. Proud, Vice President | 01/89 | 01/02/05 |
| R. Scott Crosswell, III, Member | 01/03 | 12/31/06 |

COUNTY OFFICIALS

| | | <u>Assumed Office</u> | <u>Present Term Expires</u> |
|-----------------------------|-----------------------|-----------------------|-----------------------------|
| County Auditor | Linda L. Fraley | 03/95 | 03/11/07 |
| County Treasurer | J. Robert True | 06/88 | 09/04/05 |
| Clerk of Common Pleas Court | David R. Caudill, Jr. | 04/95 | 01/04/05 |
| Clerk of Municipal Court | Timothy R. Rudd | 01/04 | 12/31/09 |
| County Engineer | Patrick Manger | 06/03 | 01/04/05 |
| County Recorder | Carolyn Green | 01/89 | 01/04/05 |
| County Sheriff | Tim Rodenberg | 04/96 | 01/04/05 |
| County Coroner | Brian Treon | 07/02 | 01/02/05 |
| County Prosecutor | Donald W. White | 01/89 | 01/04/05 |

General Government. Of the offices that can be grouped under the category of general government, in addition to the Commissioners, three elective offices are of particular pertinence.

The County Auditor, who is elected to a four-year term, has the task of assessing real property for taxation purposes. A complete on-site inspection and reappraisal must be conducted every six years in addition to a triennial update. The Auditor is also the fiscal officer of the County, and no County contract may be made without the Auditor's certification that funds are available for payment or are in the process of collection. In addition, no payment may be made except by the Auditor's warrant drawn upon the County Treasurer. The Auditor is responsible for the County payroll and also has major accounting responsibilities.

The County Treasurer is required by state law to collect certain taxes, which are then distributed by the Auditor to various governmental units. The Treasurer is the disbursing agent for expenditures authorized by the Commissioners and is also custodian of the County's Bond Retirement Fund. The Treasurer must make daily reports to the County Auditor showing receipts, payments and balances. The Treasurer's account books must always balance with those of the County Auditor.

The County Engineer is required by law to be a registered professional engineer and surveyor, and serves as the civil engineer for the County and its officials. Primary responsibilities are the construction, maintenance, and repair of the County's roads, bridges, and drainage facilities. The Commissioners take bids on and award contracts for the projects recommended and approved by the Engineer. The County Engineer also prepares tax maps for the County Auditor.

In addition to these elected officials, the County Administrator is appointed by the Board of County Commissioners and serves under the direction and supervision and at the pleasure of the Board. The County Administrator is the administrative head of the County and is responsible for implementing policies of the Board, supervising County affairs, preparing and submitting the fiscal budget, and keeping the Board fully advised on the financial obligations of the County.

Administration of Justice System. As a part of the administration of the justice system in the County, the County maintains the Municipal Court; the Common Pleas Court, including the Domestic Relations, Probate and Juvenile Divisions, and the Court of Appeals (collectively referred to as the "County Courts"). The Prosecuting Attorney's office and the County Jail are also maintained by the County. The Prosecuting Attorney is designated by Ohio law as the chief legal counsel for all County officers, boards, and agencies, including the Commissioners, the County Auditor and the County Treasurer.

The Clerk of Common Pleas Courts keeps all official records of the Common Pleas Court and serves as Clerk of the Court of Appeals. The office of Clerk of Courts charges fees for services and is essentially self-supporting.

The Clerk of Municipal Court keeps all official records of the Municipal Court. The Clerk of Municipal Court may administer oaths, take affidavits, and issue executions upon any judgment rendered in the court. The Clerk of Municipal Court charges fees for services.

The County Sheriff is the chief law enforcement officer of the County and provides certain specialized services that include maintaining a special staff of deputies to assist local law enforcement officers upon their request, enforcing the law in unincorporated areas of the County and providing Court Security to the County Courts. The Sheriff is responsible for the County Jail and its inmates, including persons detained for trial or transfer to other institutions. As an officer of the County Courts, the Sheriff is charged with preparing and serving documents.

County-Owned Utilities. The Clermont County Sewer District was created in 1950 pursuant to Chapter 6117 of the Ohio Revised Code and it operates the waterworks and sewer systems of the County. It is divided into three units: the sewer system; the waterworks system; and combined services that provide administrative and support functions for both water and sewer systems. As of December 31, 2003, the District had 42 full-time employees and 4.3 full time equivalent shared County employees and had a 2003 payroll of \$1,298,685 (exclusive of benefits). It operates 10 sewage treatment plants, 4 major sewer service areas and 3 water treatment plants serving a common distribution system. The District's 2004 operating budget is \$65,826,852, which is comprised of a budget for the waterworks system of \$27,071,276 including \$13,508,476 for water construction, a sewer system budget of \$36,183,153 including \$19,266,653 for sewer construction, and a budget for combined services of \$2,572,423 (see "Utilities" herein).

The Sewer District staffing increases in 2003 are a result of the September 1 establishment of county operations of the wastewater treatment and collection system maintenance efforts. From March 2000 through August 2003, the operations were contracted to Earth Tech. The water treatment, distribution and customer service/billing systems remained under a contract with OMI, Inc. from March 2000 until May 16, 2004. At that time, the County also began the operations of those systems with additional county staffing hired in 2004.

For additional information on the county-owned utilities, see the section entitled "The Sewer District" beginning on page 44.

Financial Management. The Commissioners are responsible for providing and managing the funds used to support the various County activities. The Commissioners exercise their legislative powers by budgeting, appropriating, levying taxes, issuing bonds, and letting contracts for public works and services.

Permissive Taxes. Ad valorem property taxes and the permissive sales tax were the largest sources of revenue in the General Fund for the County in 2003, with the permissive sales tax being the larger of the two. The County has five tax revenue sources available to it, commonly known as the "permissive" taxes. State law authorizes counties to levy such permissive taxes without a vote of the people but subject to referendum or repeal by initiative. The County currently has in effect a one per cent sales tax. The County currently levies a real property transfer tax (Section 322.02 Revised Code) at a rate of three mills. The rate was increased from one mill on June 1, 1992. The County also levies a three per cent hotel lodging surcharge based on gross room rental revenues. One-third of the hotel lodging surcharge revenues are allocated to the township in which the hotel is located.

A permissive tax which has not yet been utilized is the utility service tax at a rate not to exceed two percent of the utility service charges.

A summary of other County permissive taxes and recent changes in the law concerning County sales taxes follows:

Counties are permitted to levy certain liquor and cigarette taxes for the purpose of financing a sports facility. The use of these taxes is subject to the approval of county voters. The liquor tax, \$3 per gallon of liquor sold to or purchased by liquor permit holders for resale in a county, may be levied for a maximum of 20 years for the purpose of financing a sports facility. The cigarette tax, up to 2¼ mills per cigarette sold for resale at retail in a county, may be levied for a maximum of 20 years for the purpose of financing a sports center. The County has not utilized these taxes.

A county is permitted to levy up to a one percent (1%) sales tax on retail sales in the County, subject to certain exceptions. The sales tax may be levied for the purpose of providing additional revenue for County general fund purposes or to support criminal and administrative justice services in the County or both. This County sales tax may be authorized by the Board of County Commissioners at any time in increments of one-quarter percent (¼%) up to the maximum of one percent (1%), but the authorization of this sales tax is subject to referendum and a vote of the voters. The County is currently levying a one percent (1%) sales tax.

The Ohio Revised Code permits a county of Clermont's size to levy up to an additional one-half of one percent (½%) sales tax on retail sales in a county, subject to certain exceptions, for the following purposes: financing a convention center, providing additional revenue for a county transit authority, for general fund purposes, or for permanent improvements under the jurisdiction of the Community Improvement Board. This additional one-half of one percent (½%) sales tax can be levied in one-quarter percent (¼%) increments and is subject to voter approval, except when it is levied solely to provide additional general fund revenues, and is in addition to the 1% county sales tax that may be levied without voter approval but subject to referendum, described above. The County is not currently levying the additional one-half of one percent (½%) sales tax.

The Revised Code allows a potential total local auto license tax of \$15 if all authorized motor vehicle license taxes are levied by local governments, which includes the \$5 presently permitted to be levied by municipalities. Counties may enact up to an additional \$10. If a county did not levy the tax by April 1, 1989 for the first new \$5 authorized or by April 1, 1991 for the second \$5 authorized, then any municipality may enact the tax. The County may still enact the tax after a municipality does, but the County tax will not apply in municipalities that have enacted the tax. The County enacted this tax in the amount of \$10, effective for all license plates purchased, beginning in 1988. In addition, on April 25, 2001, the County enacted an additional annual tax in the amount of \$5 effective January 1, 2002.

Management of County Facilities. The Commissioners are responsible for the management of most County facilities, including various courts, correctional, administrative and general County government facilities.

Personnel Administration. There are a number of independent boards and commissions that administer a large variety of services within the County, including the Veteran's Service Commission, the Board of Mental Retardation and Developmental Disabilities, the Clermont County General Health District, the Alcohol Drug Addiction Mental Health Service Board, Soil and Water Conservation District, Park District, Public Library Board, Metropolitan Housing Authority and Clermont County Visitors Bureau. Some of these boards and commissions are appointed by the Commissioners and are subject to the complete fiscal control of the Commissioners; others are independent of fiscal control by the Commissioners. There are also instances in which the Commissioners do not have appointment powers but do have fiscal responsibility. For example, the Commissioners have financing, funding, budgeting and accounting responsibilities for the Board of Elections but do not make appointments to the Board of Elections.

Employee Relations. As of December 31, 2003, Clermont County employed approximately 1,359 full-time and 36 part time employees in various job classifications; the County had a 2003 payroll of \$50,227,654.

Under the "Collective Bargaining Law," public employees of the State and many local subdivisions (including the County) have the right to organize, bargain collectively and have union representation. The employer must recognize and grant exclusive representation rights to a representative approved by the State Employment Relations Board ("SERB"). SERB approval may be granted either after fulfillment of the requirements listed in its regulations or by majority approval of the employees at an SERB supervised election. The employer has the right to insist on an election. Any agreements under the Collective Bargaining law must be in writing, must specify a grievance procedure and cannot exceed three years in duration.

The Collective Bargaining Law designates those actions which constitute unfair labor practices and prescribes procedures for their remedy. It also sets forth dispute resolution procedures for contract negotiation impasses including arbitration or other mutually agreeable methods. If the impasse persists after conciliation procedures, then police, fire, correctional officers, and other public safety employees must take the dispute to binding arbitration and do not have the right to strike. All other employees have the right to strike after 10 days written notice.

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The County has labor agreements with the following employee unions:

| <u>Union</u> | <u>Type of Personnel Covered</u> | <u>Number of Employees Covered</u> | <u>Date Contract Commenced</u> | <u>Date Contract Expires</u> |
|-------------------------------|--|---|--|--------------------------------------|
| AFSCME | Dept. of Job & Family Services | 147 | 1/1/03 | 12/31/05 |
| FOP | Sheriff's Department and Corrections | 58 Deputies 14 Sergeants/Corporals 62 Correction Officers | In negotiations 3/1/04 3/1/03 | 2/28/07 2/28/06 |
| FOP | Communications | 20 | 1/1/03 | 12/31/05 |
| Ohio Employees Association | Mental Retardation and Developmental Disabilities | 101 | 7/1/03 | 6/30/06 |

The County is not aware of any other union representation activities taking place in the County at this time.

The County has experienced no employee strikes or work stoppages within the last five years and the County considers labor relations with its employees to be good. The Public Employees Collective Bargaining Act, recently enacted by the Ohio General Assembly, expressly recognizes the rights of collective bargaining for most government employees, including such employees' right to strike, and permit agreements requiring binding arbitration of unresolved grievances, agency shops and dues check-off provisions.

The County has a sick leave policy in force that allows employees to accumulate unused sick leave during the course of their employment with the County and obtain partial reimbursement upon retirement, based on the most recent rate of pay.

Human Services and Public Assistance. The County Department of Job & Family Services (DJFS) administers a broad range of social programs and protective services. The DJFS is organized by program areas and administrative support units including Child Support Enforcement, Children's Protective Services, Employment Services, Administrative and Fiscal divisions. The Department is headed by a Director who is appointed by and responsible to the County Commissioners. The Human Services Planning Committee advises the Director and is comprised of 14 members representing various community organizations and is also appointed by the Commissioners.

The DJFS is one of the largest of the county's departments with a total of 212 full-time employees as of December 31, 2003. The 2003 payroll was \$7,623,030. The County general fund provides a limited portion of the DJFS' funding for its activities and programs; however, the majority of funding for DJFS responsibilities and programs is derived from state and federal funds. Much of the state and federal funding flows directly from those governments to public assistance recipients in programs for which the DJFS performs various administrative

tasks such as eligibility determination. Any local county funds used for DJFS operations are derived from the general fund.

The Children's Protective Services Division provides a comprehensive system of assessing risk of alleged abused, neglected, and dependent children and their families. Preventative efforts and supportive services are provided in order to promote family stability and self-sufficiency. In addition, the CPS Division administers the federal Title XX program, as well as state and federal grant programs and the Family & Children First program.

The Child Support Division locates non-custodial parents to establish and/or enforce child support orders. Additional services include paternity establishment and pursuit of medical insurance.

The Employment Services Division deals primarily with financial, medical, nutrition and employment assistance programs for low income families within the County. Examples of these programs are Ohio Works First program, Medicaid, Food Stamps, Child Care and Disability Assistance. Additional services include HealthChek, Pregnancy Related Services and Enhanced Medicaid Transportation. The DFS' role in these programs is primarily one of eligibility determination and benefit issuance. Funding for these services is derived from various state and federal sources with a mandated contribution (percentage) from the County general fund.

The DJFS also administers workforce development programs such as the Workforce Investment Act (WIA) and oversees training contract procurement and maintains both local (County) and state computer systems.

The Clermont County Board of Mental Retardation and Developmental Disabilities (169 Board) provides public assistance in the form of home services for severely impaired children and adults. It operates one school for children, two resident homes and one adult workshop. It is staffed by 230 employees and is funded with a 2.50 mill continuous levy. It has a 2004 budget of \$15,610,000.

Another major County public assistance organization is the Veterans Service Commission, which is funded out of the County's general fund. The 2004 budget is \$1,021,716. The Commission provides temporary relief for indigent veterans of war and assists veterans and their dependents in securing materials and information needed to obtain assistance under programs administered by the Veterans Administration. It is run by a 5-member board.

The Clermont County Mental Health and Recovery Board (CCMH&RB) plans, monitors, evaluates and funds mental health and alcohol/drug services. It is prohibited from providing direct services, so the Board assures access to services by contracting with private, non-profit agencies. Its primary provider agencies are Child Focus, Clermont Counseling Center and Clermont Recovery Center. It is staffed by 7 employees, including the Director, and is funded through State and Federal dollars, and a 0.5 mill local levy. It has a 2004 budget of \$13,167,393. The Board was established pursuant to and operates under Chapter 340 of the Ohio Revised Code. It is governed by an 18-member board, with 10 members appointed by the

County Commissioners, 4 members appointed by the Ohio Department of Mental Health and 4 members appointed by the Ohio Department of Alcohol and Drug Addiction Services.

Health. There is one acute care hospital facility in the County and 30 hospitals in the Metropolitan Area. In addition, the Metropolitan Area has a state mental hospital and the renowned Children's Hospital and Shriners' Burns Institute.

The Clermont County General Health District is run by a 5-member board and directed by the Health Commissioner. The members are elected by the District Advisory Council which consists of the highest official from each municipality in the County, the chairman of the board of township trustees of each township in the County and one county commissioner. The department consists of three divisions: nursing, administrative records and environmental health. It is not controlled by the County Commissioners, but rather operates as a separate district pursuant to Chapter 3709 of the Ohio Revised Code.

The Health District had 75 employees as of December 31, 2003 and has a 2004 budget of \$3,346,011. Most of its revenue comes from licenses, permits and fees to contracting municipalities. There is no tax levy currently supporting the department.

Demographic Information

Population.

| | <u>Census 1970</u> | <u>Census 1980</u> | <u>Census 1990</u> | <u>Census 2000</u> |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Clermont County | 95,725 | 128,483 | 150,187 | 177,977 |
| Cincinnati - Hamilton CMSA | 1,611,057 | 1,660,278 | 1,744,124 | 1,979,202 |

Source: US Census Bureau, Population Division

Incorporated Areas

Clermont County, total population (2000) – 177,977

| | | | |
|--|---------|---------------|-------|
| Amelia | 2,752 | Moscow | 244 |
| Batavia | 1,617 | Neville | 127 |
| Bethel | 2,637 | New Richmond | 2,219 |
| Chilo | 97 | Newtownsville | 492 |
| Felicity | 922 | Owensville | 816 |
| Loveland* | 1,835 | Williamsburg | 2,358 |
| Milford* | 6,284 | | |
| Total population in incorporated areas | 22,400 | | |
| Total population in unincorporated areas | 155,577 | | |

*The figure includes only the population in Clermont County.

Source: U.S. Census Bureau, Population Division

Land Use

Approximate land use in the County is as follows:

| <u>Classification</u> | <u>Acres Used</u> | <u>% of Total Land</u> |
|---|-------------------|------------------------|
| Urban (open Impervious surfaces) | 11,528.70 | 3.91% |
| Agriculture/Open Urban Areas (non-impervious surfaces) | 149,126.26 | 50.56 |
| Shrub/Scrub | 761.70 | 0.26 |
| Wooded | 127,163.22 | 43.12 |
| Open Water | 4,202.34 | 1.42 |
| Non-Forested Wetlands | 2,096.38 | 0.71 |
| Barren (Strip Mines, Quarries, Sand & Gravel Pits) | <u>60.08</u> | <u>0.02</u> |
| TOTAL | 294,938.68 | 100.00% |

Source: Ohio Department of Natural Resources, 1994 data

ECONOMIC INFORMATION

General Description

Economic Environment. Clermont County has experienced dramatic growth over the last two decades with the completion of Interstate 275 (the beltway around Cincinnati) and the opening of I-471 between I-275 and downtown. Both increased the accessibility between Clermont County and Cincinnati. Forecasters predict residential and commercial growth will continue in Clermont County throughout the next decade as well.

Over the past decade, Clermont County has consistently been one of the fastest growing counties in Ohio, with an estimated June 30, 2003 population of nearly 191,000. Growth components in which Clermont has consistently been at or near the top among Ohio counties for the last decade include:

1. Population Growth
2. New Housing Starts
3. Retail Sales Growth
4. New Business Start Ups & Formations
5. Patent and Copyright Registrations

Clermont County is strategically located in the population geographical center of the United States. Clermont County is home to several corporate headquarters. Diversification is an important component of the County's economic development strategy. Clermont County has a very diverse business base including banking, insurance, and finance firms; wholesaling and distribution firms; machine tooling, manufacturing and R&D companies; and medical service industries.